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Supreme Court of the United States

October Term, 1973

No. 73-187

KEWANEE OIL COMPANY,
Petitioner,

vs.

BICRON CORPORATION, *et al.*,
Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SUPPLEMENTAL BRIEF OF RESPONDENTS BICRON CORPORATION ET AL. IN RESPONSE TO THE "BRIEF FOR THE UNITED STATES AS AMICUS CURIAE"

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Foreword

This brief is submitted on behalf of respondents Bicron Corporation et al. in response to the "Brief For The United States As Amicus Curiae" which was filed in this case on or about April 8, 1974. The case was argued on January 9, 1974.

I. The Presumptions Should Favor Our National Policy of Free Competition

The Government says (G.B. 7) that there is "no showing in this case or adequate basis for presuming that a substantial diversion of patentable inventions from the federal patent system is caused by state trade secret laws." The government acknowledges (G.B. 34) that the record in the case does not contain information as to the impact of the state trade secret laws on the patent system and the degree of diversion from the patent system by the state trade secret laws. The Government properly observes (G.B. 35) that such questions are empirical and legislative and are better suited to the factual investigations and policy judgments of Congress.[1]

There is a strong federal policy favoring free competition in ideas which do not merit patent protection. *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969). This is but one facet of a broader national policy of free competition which permits the marketplace to allocate our economic resources, the premise being that this will bring about the greatest material progress and both preserve and promote our political and social institutions. *Gulf States Utilities Co. v. F.P.C.*,—U.S.—36 L. Ed. 2d 635, 644-6 (1973); *United States v. Topco Associates Inc.*, 405 U.S. 396, 410 (1972); *United States v. Philadelphia National Bank*, 374 U.S. 321, 372 (1963); *Northern Pacific RR v. United States*, 356 U.S. 1, 4 (1958). The policy stems from the English "Statute of Monopolies". The patent system is an exception to the anti-monopoly, free-competition policy and so would be any restrictive state trade secret system.

The national policy of free competition in ideas which do not merit patent protection and free competition in the

[1] Committees of Congress have in fact conducted hearings and made studies. Bicron has cited those studies in its brief, pp. 12 and 13.

marketplace is a *strong* federal policy. The burden should be on the party which seeks to restrict competition to justify what it seeks. The presumptions in an admittedly confused factual situation should favor free competition.

The burden should be on petitioner and its amici to justify the restraints which they seek to impose on free competition. The presumptions should be in favor of free competition and the established national policy, not against it as the Government suggests.

II. The Issue Is Controlled by Prior Decisions of This Court

The Government argues (G.B. 8) that the issue is not controlled by the prior decisions of this Court. The Sixth Circuit, however, clearly felt that it was.

Bicron respectfully refers this Court to the careful analysis of legal precedent made by the Sixth Circuit (Pet. App. 8-24).

In *Sears, Roebuck and Co. v. Stiffel Co.*, 376 U.S. 225 (1964), in particular, this Court said:

"Obviously a State could not, consistently with the Supremacy Clause of the Constitution . . . give a patent on an article which lacked the level of invention required for federal patents. To do . . . [so] would run counter to the policy of Congress of granting patents only to true inventions. . . . Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that prohibiting unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws." (376 U.S. at 231).

III. The Perpetual Injunction of the District Court Cannot Be Justified

It is significant that the brief of the Government does not even try to justify the perpetual injunction of the district court. That view within the Government which is reflected by Part II of the Government brief wants, in certain circumstances, a reverse engineering injunction. It deplores the perpetual injunction (G.B. 26 & 27). Part III of the Government brief speaks of partnership contracts[2] and cites *United States v. Addyston Pipe* (G.B. 29), but nowhere does it discuss the perpetual injunction as such.

The grant of a perpetual injunction cannot be justified.

IV. The Government's Arguments Supporting the Economic Purposes Served by State Trade Secret Laws Should Be Disregarded

Part III of the Government brief (G.B. 28) argues that state trade secret laws serve a valuable economic purpose. This, however, is pure conjecture and should be disregarded, particularly in view of the Government's own admission that it is not possible to determine from the record in this case the effect of state trade secret law on the competitive process (G.B. 40).

It should also be disregarded because the preemption test is not the *purpose* of the state law vs. the federal law but the effect of the state law, whatever its purported purpose might be, on the federal law. Were it otherwise, state legislatures could "nullify nearly all unwanted fed-

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[2] An employee of a large corporation is not a "partner" (G. B. 29 & 30) and is not in an equal bargaining position with the corporation. The effect of the decision of the district court is to restrict freedom of opportunity and freedom of employment. See pages 16-20 of the amicus briefs of the National Patent Council and National Small Business Association.

eral legislation by simply publishing a legislative committee report articulating some state interest or policy—other than frustration of the federal objective—that would be tangentially furthered by the proposed state law." *Perez v. Campbell*, 402 U.S. 637, 652 (1971).

V. The Policy of the Patent Statutes Is to Promote Progress in Science and Useful Arts for the Public Benefit

The Constitution authorizes a patent system to promote progress in science and useful arts, (Art. I, Sec. 8, Cl. 8) and its *raison d'etre* is *public benefit*, with reward to the inventor secondary.[3]

The patent laws reflect Congressional judgment as to both

> (a) subject matter (35 U.S.C. 101) of sufficient public benefit (judged in light of 35 U.S.C. 102 and 103) to justify the offer of a reward for prompt and full disclosure, and
>
> (b) subject matter to which the public is entitled (under 35 U.S.C. 102 and 103) in any event so that a reward for disclosure cannot be justified.[4]

This Court has consistently held that inventors do *not* have a "natural" right to their ideas and that the patent

[3] The Court is urged to reread with care the Government's *Sears-Compco amicus* brief at pp. 15-33 and its *Lear* brief at pp. 9-26. In both these earlier briefs, the Government squarely acknowledged the paramount public interest which is the touchstone of federal patent policy.

[4] In strict accord with earlier decisions of this Court and with the Sixth Circuit, a recent article by a government lawyer concludes that commercial exploitation of a completed invention for more than one year is a public use under 35 U.S.C. 102(b) "whether or not the use was secret." McCaul, "Applicability of the Public Use Bar Provision of 35 U.S.C. 102(b) to Patentability of a Completed Invention Used at a Government Installation", 56 J. PAT. OFF. SOC'Y. 143, 160 (1974).

system was a creature of positive law to advance the paramount public interest. *Pennock v. Dialogue,* 27 U.S. 1, 16-17 (1829); *Shaw v. Cooper,* 32 U.S. 290, 318 (1833); *Gaylor v. Wilder,* 51 U.S. 477, 490 (1850); *Brown v. Duchesne,* 60 U.S. 183, 195 (1888); *Kendall v. Winsor,* 62 U.S. 322 (1858); *Graham v. John Deere Co.,* 383 U.S. 1, 8 (1966).

VI. The Patent Statutes Invite But Do Not Compel Disclosure

No one argues (G.B. 32) that the patent laws compel an inventor to disclose his inventions in exchange for the 17-year monopoly of a patent. The idea is that they should provide the incentive for such disclosure, in return for personal gain. In an interview, Senator McClellan put it this way:

> "Q. Do you associate a patent with a monopoly of any sort?
>
> A. Well, a patent is a monopoly of sorts, and it is intended to be, to protect the inventor, to encourage invention. It operates as an incentive to people not only to invent but to disclose the invention and make it available for the benefit of the economy, for the benefit of people. A fellow might discover a remedy (this is a crude illustration) that would cure, say, cancer. Suppose, a doctor makes a discovery and he says, I'll just keep this discovery secret. I'll become a specialist. I'll have the patients, since I'm the only one who can cure them. If not discovered by someone else, his invention would die with him. That would be wrong. But, you give him an incentive to disclose his invention and still maintain control for a limited period of time, and allow him to make a profit out of it, and all knowledge will be advanced. I think the system has worked marvelously. I don't mean it's per-

fect. I'd like to strengthen it, improve it, but not abolish it or make it so restrictive or so liberal that it would not be effective."[5]

The Senator's remarks remind us of what actually happened with obstetrical forceps, which were held as a secret by several generations of doctors.[6] If an assistant of one of those doctors had left and used those forceps to assist child delivery, should he have been enjoined?

VII. Patent Law—Trade Secret Law Coexistence

There are many trade secrets to which the patent laws neither extend nor refuse protection—e. g., certain computer programs,[7] business information including accounting methods, sales plans, customer lists, etc.[8]—and on which the states *may* grant protection.

Congress has likewise neither refused nor extended federal patent protection to inventions which are not yet completed or which have been in public use less than one year or are the subject of pending patent applications.[9] *Goldstein et al v. California*, 412 U.S. 546 (1973) goes far toward suggesting that state law protection in these areas

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[5] Interview with Senator John L. McClellan published in the Monsanto Magazine, Winter 1973 issue, pp. 17-21, copies available from the "Association For The Advancement Of Invention And Innovation", an amicus in this case.

[6] Proposals For Improving The Patent System" — Study of the Subcommittee on Patents, Trademarks and Copyrights of the Committee on the Judiciary, United States Senate, 1956, p. 3.

[7] See *Gottschalk v. Benson*, 409 U.S. 63 (1972).

[8] See, *e. g., Clark v. Bunker*, 453 F.2d 1006 (9 Cir. 1972) relating to a trade secret constituting a prepaid funeral service plan and *Board of Trade v. Christie Grain and Stock Co.*, 198 U.S. 236 (1905), relating to confidential quotations on grain futures.

[9] A circumstance which no doubt had an influence upon this Court's abstention in *Lear, Inc. v. Adkins*, 395 U.S. 653, 675 (1969), from defining the limits of legitimate state law protection, if any, for inchoate patent rights until after "fully focused inquiry" in the state courts.

is permissible, analogously to the state law prepublication protection of common law copyrights expressly authorized in 17 U.S.C. §2. 35 U.S.C. 122 which provides for qualified secrecy of pending patent applications in the Patent Office is consistent with such limited state law protection for inchoate patent rights.[10]

Because trade secret law legitimately applies to subject matter on which the patent laws are silent, it is not surprising that "patent law and trade secret law have co-existed for many decades" (G. Br. 33). The government does not suggest that Congress has ever been specifically apprised of state trade secret law efforts to encroach upon federal patent law or otherwise provided with evidence demonstrating the area of conflict between the two. It is accordingly fair to assume that Congressional "awareness of the trade secret system" (G. Br. 35) is restricted to that system's legitimate ambit.

The Government is wrong in suggesting (G. Br. 33) that since "Congress would not affirmatively protect secrets whose existence undercut its own policy", the use of trade secret law to compete with patents is tacitly approved by legislation requiring government agencies to treat as confidential alleged trade secrets revealed to them in course of complying with Government regulations unrelated to patents. Congress, of course, has a wide range of policies, only a few of which touch upon patents in any way. It is not inconsistent with patent policy for Congress to minimize confrontation concerning the legitimacy of

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[10] The question of whether the qualified secrecy provision of 35 U.S.C. 122 extends to abandoned patent applications on which patents have been refused has never been resolved in a federal court of appeals. The only federal district court case purporting to have decided the issue on its merits, *Sears v. Gottschalk*, 357 F. Supp. 1357 (E.D. Va. 1973) (cited at G. Br. 5, n. 5) is on appeal to, and is presently sub judice in, the Court of Appeals for the Fourth Circuit, having been orally argued on March 6, 1974.

trade secret claims in policy areas which present no patent problem,[11] and where confrontation is hence unnecessary. Nor does such a reservation detract from the right of any affected person, including an agency, to challenge a trade secret claim in conflict with the patent statutes when patent policy is in issue.

VIII. The Sherman Act Approach Should Be Followed Here

In discussing the Sherman Act, Part III of the Government brief correctly observes that the courts proceed on a case-by-case basis until a general pattern becomes clear and experience permits the formulation of a general rule (G.B. 39). This approach is followed because the situations are so complex and varied.

The Court should take a similar approach here. It should affirm the judgment of the Sixth Circuit and not pass on the other issues which have tried to be injected into the case.

Denial of injunctive relief on the grounds of federal preemption does not mean that the underlying contract has to be declared invalid or that damages for its violation cannot be recovered. You do not have to throw the baby out with the bath.

As the Government brief recognizes (G.B. 3, footnote 3), the relief which was granted in this case was based upon the obligations of an employee to his employer which were implied by Ohio law, not the written agreements between the employee respondents and Kewanee. The

[11] *This* point is well made in the student note, "Patent Preemption of Trade Secret Protection of Inventions Meeting Judicial Standards for Patentability," 87 HARVARD L. R. 807 (1974), at 811-813. The ultimate conclusion reached in the note, which is essentially the same as that of Argument Section II of the Government brief is similarly contrary to *Sears*, *Lear* and *Goldstein*.

Court can affirm the Sixth Circuit without invalidating technical service agreements and other contracts involving trade secrets.

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